



Mottville Township
St. Joseph County, Michigan

Financial Statements

June 30, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>Mottville Township</u>	County <u>St Joseph</u>
Audit Date <u>6/30/05</u>	Opinion Date <u>9/2/05</u>	Date Accountant Report Submitted to State: <u>9/26/05</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <u>Shirley J Jones CPA, PC, Jones' CPA Office</u>			
Street Address <u>100 S Washington St</u>	City <u>Constantine</u>	State <u>MI</u>	ZIP <u>49042</u>
Accountant Signature <u>Shirley J. Jones</u>			

MOTTVILLE TOWNSHIP
ST. JOSEPH COUNTY, MICHIGAN

OFFICIARY

Brenda Hagen	Supervisor
Ron Mann	Treasurer
Sherry Medford	Clerk
Jack Keller	Trustee
Carl Kline	Trustee

Year Ended
June 30, 2005

MOTTVILLE TOWNSHIP

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Jones' CPA Office

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INDEPENDENT AUDITOR'S REPORT

Mottville Township Board
St. Joseph County, Michigan

We have audited the accompanying general purpose financial statements of Mottville Township, St. Joseph County, Michigan, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of Mottville Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Mottville Township, St. Joseph County, Michigan, as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

The management's discussion and analysis and budgetary comparison information on pages 2 through 5 and 17 through 18, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.


Jones' CPA Office

Constantine, Michigan
September 2, 2005

Mottville Township Management's Discussion and Analysis

As the Mottville Township Board, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Township for the year ended June 30, 2005. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please consider the information presented here in conjunction with the financial statements and notes that follow.

Overview of the Financial Statements

The Township's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains budgetary schedules as part of the required supplementary information.

The government-wide financial statements provide a broad view of the Township's operations. These are prepared using the economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods used by most businesses. All revenues and expenses are accounted for within the fiscal year, even if the cash involved has not been received or paid. The government-wide financial statements include two statements. The statement of net assets reports all of the Township's assets and liabilities, with the difference between the two reported as "net assets". Increases or decreases in net assets may help determine if the Township's financial position is improving or deteriorating. The statement of activities presents information that shows how the net assets changed during the most recent year.

The governmental funds financial statements report the Township's operations in more detail. These are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The governmental fund financial statements provide a short-term view of the finances that help to determine whether there will be sufficient resources available to meet the current needs of the Township.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help with this comparison.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on pages 12 through 16. The statement regarding the budget is required supplementary information.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The Township's net assets total \$607,517 at June 30, 2005. A portion of the Township's net assets (29%) is its investment in fixed assets, net of depreciation. This percentage is up about 11% over last year because of improvements made to the building. Keep in mind that these assets are used to provide township services to the public, consequently these assets are not available for future spending. Furthermore, a portion of the Township's net assets (4.4% at June 30, 2005 and 4.5% at June 30, 2004) represents resources that are subject to restrictions on how they may be used. The restricted net asset amount is made up of \$11,747 for the Township Improvement Fund and \$15, 000 for the Budget Stabilization Fund. The remaining balance of unrestricted net assets (66% or \$403,304 and 77% or \$447,538, respectively) may be used to meet ongoing obligations to citizens.

Mottville Township's Net Assets

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current assets	\$441,531	\$476,289
Noncurrent assets	18,180	27,270
Capital assets	177,466	105,622
Total assets	<u>637,177</u>	<u>609,181</u>
Less:		
Current liabilities	<u>(29,660)</u>	<u>(29,657)</u>
Invested in capital	177,466	105,622
Restricted	26,747	26,364
Unrestricted	403,304	447,538
Total net assets	<u>\$607,517</u>	<u>\$579,524</u>

Approximately 34% of the Township's total general revenue (\$184,916) came from property taxes, IFT collections, the summer tax collection fee, and special assessments. The biggest source of general income (55% and 58%, respectively) was from state revenue sharing. For both years presented, the largest expenditure was general government, which accounted for about 79% and 77% of the total expenditures. The general government expenditures are reported in more detail in the statement of Revenues, Expenditures, and Changes in Fund Balance on page 9 and the Detailed Statement of Expenditures – General Fund, on pages 19-21.

Mottville Township's Statement of Activities

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Revenues:		
Program revenues:		
Charges for services	\$6,202	\$7,628
General revenues:		
Property taxes and IFT collections	44,719	42,689
Tax collection	15,895	14,706
Special assessments	3,019	5,203
State revenue sharing	101,838	103,506
Interest	11,144	9,114
Permits, fees, fines	449	525
Reimbursements	127	22
Miscellaneous	7,725	2,615
Total revenues	<u>191,118</u>	<u>186,008</u>
Expenditures:		
General government	129,233	109,202
Public Safety	24,731	26,552
Public works	3,893	3,823
Township Improvement	2,709	2,816
Loss on asset disposal	2,559	0
Total expenditures	<u>163,125</u>	<u>142,393</u>
Change in net assets	27,993	43,615
Beginning net assets	<u>579,524</u>	<u>535,909</u>
Ending net assets	<u>\$607,517</u>	<u>\$579,524</u>

Fund Statement Financial Analysis

The governmental fund financial statements (as presented in the balance sheet and the statement of revenues, expenditures, and changes in fund balances found on pages 8 and 9) report a combined fund balance of \$430,051. The difference between the combined fund balance and the net assets is \$177,466, which is net capital assets. Similarly, the difference between the change in fund balances and the change in net assets has to do with the reporting of net assets, both depreciable and nondepreciable, as reported in the reconciliation found on page 10.

Budgetary Highlights

The budget was amended on several occasions throughout the year to prevent overruns in several accounts. The actual charges to expenditures in total were \$18,701 below the final budget amounts. Actual revenue exceeded budgeted revenue by \$85,678, with state revenue sharing accounting for \$21,838, or 25.5%, of that difference. The largest portion of the difference was due to the sale of the old hall (\$40,910 or 47.7%), which was reported as miscellaneous income in the Township Improvement Fund.

Capital Assets

The Township had \$177,466 invested in capital assets (net of depreciation) as of June 30, 2005. Acquisitions for the year were \$121,680 and current year depreciation was \$6,367. Purchases included building improvements and a computer for the treasurer. Additional information regarding capital asset activity is included in the notes to the financial statements. Land is the only nondepreciable asset.

The depreciable assets are building and improvements, computer equipment and software, furniture and fixtures, and other equipment. Items purchased in prior years are recorded at approximate historical cost. It is the Township's policy to record all items that exceed \$500 and have a useful life beyond one reporting period as capital assets. Additionally, all computer equipment and all furniture purchased, even if less than \$500, are reported as capital assets.

Future Operations

Revenue is expected to remain fairly constant for the fiscal year ending June 30, 2006; except, of course, for the decrease in miscellaneous revenue in the Township Improvement Fund. Planned capital outlay is significantly less for the June 30, 2006 fiscal year since most of the township hall improvements have been completed. The budget reflects plans to purchase a piece of equipment for cemetery use.

Mottville Township
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities:</u>			
	General Fund	Township Improvement Fund	Budget Stabilization Fund	Total Primary Government
ASSETS				
Current assets:				
Cash	\$121,970	\$0	\$0	\$121,970
Investments	288,510	0	0	288,510
Due from tax collection account	2,113	0	0	2,113
Due from other units	2,191	0	0	2,191
Due from other funds	0	11,747	15,000	26,747
Total current assets	<u>414,784</u>	<u>11,747</u>	<u>15,000</u>	<u>441,531</u>
Noncurrent assets:				
Note receivable	18,180	0	0	18,180
Capital assets:				
Nondepreciable:				
Land	0	15,000	0	15,000
Depreciable (net of depreciation):				
Building and improvements	0	150,728	0	150,728
Furniture and fixtures	574	0	0	574
Computer equipment and software	3,403	0	0	3,403
Machinery and equipment	7,761	0	0	7,761
Total capital assets	<u>11,738</u>	<u>165,728</u>	<u>0</u>	<u>177,466</u>
Total noncurrent assets	<u>29,918</u>	<u>165,728</u>	<u>0</u>	<u>195,646</u>
Total assets	<u>444,702</u>	<u>177,475</u>	<u>15,000</u>	<u>637,177</u>
LIABILITIES				
Current liabilities:				
Accounts payable	882	0	0	882
Due to other funds	26,747	0	0	26,747
Accrued payroll taxes	2,031	0	0	2,031
Total current liabilities	<u>29,660</u>	<u>0</u>	<u>0</u>	<u>29,660</u>
NET ASSETS				
Invested in capital assets	11,738	165,728	0	177,466
Restricted	0	11,747	15,000	26,747
Unrestricted	403,304	0	0	403,304
	<u>\$415,042</u>	<u>\$177,475</u>	<u>\$15,000</u>	<u>\$607,517</u>

See accompanying notes to financial statements.

Mottville Township
Statement of Activities
For the Year Ended June 30, 2005

Functions	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue Primary Government Governmental Activities
Primary Government			
Governmental Activities:			
General government	\$129,233	\$1,675	(\$127,558)
Public safety	24,731	4,527	(20,204)
Highways and streets	3,893	0	(3,893)
Township Improvement	2,709	0	(2,709)
Loss on asset disposal	2,559	0	(2,559)
Total governmental activities	<u>\$163,125</u>	<u>\$6,202</u>	<u>(156,923)</u>
General Revenues			
Taxes:			
Property taxes			41,803
IFT taxes			2,667
Delinquent personal property tax			249
Tax collection fee			15,895
Special assessments			3,019
State revenue sharing			101,838
Licenses and permits			449
Cemetery lot sales			3,850
Interest earned			11,144
Refunds and rebates			127
Miscellaneous			3,875
Total general revenues			<u>184,916</u>
Changes in net assets			27,993
Net assets - beginning of year			<u>579,524</u>
Net assets - end of year			<u><u>\$607,517</u></u>

See accompanying notes to financial statement.

Mottville Township
Balance Sheet – Governmental Funds
June 30, 2005

	<u>General Fund</u>	<u>Township Improvement Fund</u>	<u>Budget Stabilization Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Current assets:				
Cash	\$121,970	\$0	\$0	\$121,970
Investments	288,510	0	0	288,510
Due from tax collection account	2,113	0	0	2,113
Due from other units	2,191	0	0	2,191
Due from other funds	<u>0</u>	<u>11,747</u>	<u>15,000</u>	<u>26,747</u>
Total current assets	<u>414,784</u>	<u>11,747</u>	<u>15,000</u>	<u>441,531</u>
Noncurrent assets:				
Note receivable	<u>18,180</u>	<u>0</u>	<u>0</u>	<u>18,180</u>
Total assets	<u><u>\$432,964</u></u>	<u><u>\$11,747</u></u>	<u><u>\$15,000</u></u>	<u><u>\$459,711</u></u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$882	\$0	\$0	\$882
Due to other funds	26,747	0	0	26,747
Accrued payroll taxes	<u>2,031</u>	<u>0</u>	<u>0</u>	<u>2,031</u>
Total liabilities	<u>29,660</u>	<u>0</u>	<u>0</u>	<u>29,660</u>
FUND BALANCES				
Restricted	0	11,747	15,000	26,747
Unrestricted	<u>403,304</u>	<u>0</u>	<u>0</u>	<u>403,304</u>
Total fund balances	<u>403,304</u>	<u>11,747</u>	<u>15,000</u>	<u>430,051</u>
Total liabilities and fund balances	<u><u>\$432,964</u></u>	<u><u>\$11,747</u></u>	<u><u>\$15,000</u></u>	<u><u>\$459,711</u></u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets

Total fund balances - governmental	\$430,051
Capital assets used in government activities are not financial resources and therefore are not reported in the funds	<u>177,466</u>
Net assets of governmental activities	<u><u>\$607,517</u></u>

See accompanying notes to financial statements.

Mottville Township
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2005

	General Fund	Township Improvement Fund	Budget Stabilization Fund	Total Governmental Funds
REVENUES				
Property taxes	\$41,803	\$0	\$0	\$41,803
IFT taxes	2,667	0	0	2,667
Delinquent personal property tax	249	0	0	249
Tax collection fee	15,895	0	0	15,895
Special assessments	3,019	0	0	3,019
State revenue sharing	101,838	0	0	101,838
Licenses and permits	449	0	0	449
Cemetery lot sales	3,850	0	0	3,850
Charge for services:				0
Grave openings	1,675	0	0	1,675
Fire runs	4,527	0	0	4,527
Interest earned	10,761	383	0	11,144
Refunds and rebates	127	0	0	127
Miscellaneous	3,875	40,910	0	44,785
Total revenues	<u>190,735</u>	<u>41,293</u>	<u>0</u>	<u>232,028</u>
EXPENDITURES				
General government:				
Township board	42,567	0	0	42,567
Supervisor	11,077	0	0	11,077
Elections	3,262	0	0	3,262
Assessor	18,518	0	0	18,518
Clerk	12,820	0	0	12,820
Board of review	498	0	0	498
Treasurer	17,993	0	0	17,993
Building and grounds	10,568	0	0	10,568
Cemetery	8,272	0	0	8,272
Capital outlay	987	120,693	0	121,680
Total general government	<u>126,562</u>	<u>120,693</u>	<u>0</u>	<u>247,255</u>
Public safety:				
Fire protection	16,023	0	0	16,023
Planning and zoning	6,683	0	0	6,683
Enforcement officer	2,025	0	0	2,025
Total public safety	<u>24,731</u>	<u>0</u>	<u>0</u>	<u>24,731</u>
Highways and streets	<u>3,893</u>	<u>0</u>	<u>0</u>	<u>3,893</u>
Total expenditures	155,186	120,693	0	275,879
OPERATING TRANSFERS IN (OUT)	<u>(79,783)</u>	<u>79,783</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of revenues over (under) expenditures	(44,234)	383	0	(43,851)
Fund balance - beginning	<u>447,538</u>	<u>11,364</u>	<u>15,000</u>	<u>473,902</u>
Fund balance - ending	<u>\$403,304</u>	<u>\$11,747</u>	<u>\$15,000</u>	<u>\$430,051</u>

See accompanying notes to financial statements.

Mottville Township
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund
Balances – Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2005

Net change in fund balances - total governmental funds	(\$43,851)
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Amounts reported for governmental activities in the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlay (\$121,680) exceeded depreciation (\$6,367)	115,313
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This is the amount by which the historical cost of assets disposed of (\$64,209) exceeded the accumulated depreciation associated with those assets (\$20,740)	<u>(43,469)</u>
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Change in net assets of governmental activities	<u><u>\$27,993</u></u>
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See accompanying notes to financial statements.

Mottville Township
Statement of Assets and Liabilities
Agency Fund – Tax Collections
June 30, 2005

ASSETS

Cash

\$2,113

LIABILITIES

Due to township general fund

\$2,113

See accompanying notes to financial statements.

MOTTVILLE TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township operates under an elected board of five members and provides services to its almost 4,200 residents in many areas including road maintenance, fire, protection, ambulance service, planning and zoning, and general administrative services.

The Township's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The Township has implemented GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

A. REPORTING ENTITY

This report includes all funds of the Township. As defined by GASB No. 14, component units are legally separate entities that are included in the Township's reporting entity because of the significance of their operating or financial relationships with the Township. The criteria established by GASB for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Township. Education services are provided to citizens through local school districts which are separate governmental entities. Fire service and road construction and maintenance are provided by or contracted to other local or county governmental units.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The Township's basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business. The Township has only governmental activities.

The government-wide Statement of Net Assets reports activities on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts—invested in capital assets; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions. The gross expenses, including depreciation, are reduced by related program revenues. The functions are also supported by general government revenues.

This government-wide focus is more on the sustainability of the Township as a whole and the change in the Township's net assets resulting from the current year's activities.

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The following fund types are used by the Township:

1. Governmental Funds:

The focus of the governmental funds' measurement is upon determination of financial position and changes in financial position rather than upon net income. The Township's general fund is used to account for all financial transactions of the Township not accounted for in another fund. Revenues are derived primarily from property taxes and expenditures of the Township not recorded elsewhere.

Township Improvement and Budget Stabilization Funds – the Township Improvement fund is used to account for basically all capital expenditures related to improvements to or purchases of real property. The Budget Stabilization Fund has not had any activity in several years.

2. Fiduciary Fund:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others. The assets are not available to support Township programs. The reporting focus is on net assets and changes in net assets. The Township's only fiduciary fund is the tax collection fund which is an agency fund—the Township is acting in a purely custodial capacity for other governmental units. Since by definition these assets are being held for distribution to other local governments and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

D. BASIS OF ACCOUNTING

The term basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to when a transaction or event is recognized and reported, regardless of the measurement focus applied. The measurement focus is used to denote what is being measured and recorded.

The accrual basis of accounting is used to report transactions in the government-wide financial statements. Revenues are recognized when earned and expenditures are recognized when incurred.

The modified accrual basis of accounting is used by the fund financial statements. Under this basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within sixty days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

E. FINANCIAL STATEMENT AMOUNTS

1. Cash and investments – The amount reported as cash on the financial statements is money that is in checking and savings accounts. The amount reported as investments is in certificates of deposit.

2. Capital assets – Capital assets reported in the government-wide financial statements are defined by the Township as assets with an initial cost of \$500 or more and an estimated useful life in excess of one year, with the exception of computer equipment and furniture, which are always recorded as capital assets. The depreciable assets are recorded at historical cost or as close to historical cost as could be determined. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. A complete capital asset inventory was taken prior to implementing the new reporting model.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and additions	40 year
Building improvements	10 – 40 years
Furniture and fixtures	10 years
Computer equipment and software	5 years
Fire equipment	10 years
Other equipment	10 years

3. Revenues – Substantially all governmental fund revenues are reported on the accrual basis, since property taxes are billed and collected within the same period, or within sixty days of the end of the period, in which they are levied.

4. Expenditures – Expenditures are reported when the related liability is incurred.

F. RESTRICTED FUND BALANCES

The restricted fund balance is money that is earmarked for future purchases of capital assets generally relating to the purchase or improvement of real property.

NOTE II – COMPLIANCE AND ACCOUNTABILITY

Budgetary considerations – A budget for the general fund is required by state law. The June 2005 budget was proposed and adopted at the June 2004 meeting. The budget was closely monitored and was amended several times during the year to prevent overruns in various accounts.

NOTE III – ASSETS

A. Cash and investments

The Township's deposits are held at three different banks in the name of the Township. All deposits are in accordance with statutory authority. The bank deposits are categorized below to give an indication of the risk assumed by the Township. The differences between the carrying amount and the bank balance is several outstanding checks, all of which cleared in the subsequent month.

- ✦ Category 1 includes insured or collateralized deposits with securities held by the Township or its agent in the Township's name.
- ✦ Category 2 includes collateralized deposits with securities held by the pledging financial institution's trust department or agent in the Township's name.
- ✦ Category 3 includes uninsured and uncollateralized deposits. This includes any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent, but not in the Township's name.

<u>Category</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
1	\$223,019	\$223,019
Over FDIC Limit	187,460	191,561
Totals	<u>\$410,479</u>	<u>\$414,580</u>

B. Receivables

Properties taxes are levied December 1 and payable by February 14. At the settlement date, March 1, the unpaid taxes are turned into the county. The county pays the Township for the delinquent real property taxes. The Township treasurer continues to collect the delinquent personal property taxes. The 2004 ad valorem taxes levied consisted of .9521 mills, for Township operating purposes and \$3,019 for special assessments on a total of 1,008 properties. The due from tax collection account is the amount in the tax checking that belongs to the Township.

The accounts receivable represents the net amount of tax dollars that were incorrectly paid to various units of government.

The note receivable is an amount due from a property owner for a major clean up job on the property. The Township initially paid for the clean up and is being reimbursed by the property owner.

C. Change in Capital Assets

Current year depreciation expense was \$6,367. Changes in capital assets were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Nondepreciable assets:				
Land	\$15,000	\$0	\$0	\$15,000
Depreciable assets:				
Buildings and improvements	112,215	120,693	(64,209)	168,699
Furniture and fixtures	6,570	0	0	6,570
Computer equipment/software	8,282	987	0	9,269
Other equipment	22,940	0	0	22,940
Total depreciable assets	<u>150,007</u>	<u>121,680</u>	<u>(64,209)</u>	<u>207,478</u>
Less accumulated depreciation:				
Buildings and improvements	36,002	2,709	(20,740)	17,971
Furniture and fixtures	5,882	114	0	5,996
Computer equipment/software	4,576	1,290	0	5,866
Other equipment	12,925	2,254	0	15,179
Total accumulated depreciation	<u>59,385</u>	<u>6,367</u>	<u>(20,740)</u>	<u>45,012</u>
Net depreciable assets	<u>90,622</u>	<u>115,313</u>	<u>(43,469)</u>	<u>162,466</u>
Net total capital assets	<u>\$105,622</u>	<u>\$115,313</u>	<u>\$(43,469)</u>	<u>\$177,466</u>

NOTE IV – LIABILITIES

The due to other funds represents money that is held in the General Fund checking account that belongs to the Township Improvement Fund (\$11,747) and the Budget Stabilization Fund (\$15,000). The interest earned by all bank deposits is split between the General Fund (85%) and the Township Improvement Fund (15%).

NOTE V – INSURANCE RISK

The Township's insurance for Workers' Compensation, General Liability and Property Loss and fleet insurance is carried by an insurance company. The Township is not self-insured other than for minimal deductibles. No known material claims are outstanding.

Mottville Township
Statement of Revenues, Expenditures, and Changes in Fund Balance-
Original Budget, Final Budget, and Actual – General Fund
For the Year Ended June 30, 2005

	<u>Budgeted Amounts:</u>		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$42,000	\$42,000	\$41,803	(\$197)
IFT taxes	0	0	2,667	2,667
Delinquent personal property tax	0	0	249	249
Tax collection fee	10,000	10,000	15,895	5,895
Special assessments	2,500	2,500	3,019	519
State revenue sharing	80,000	80,000	101,838	21,838
Licenses an permits	150	150	449	299
Cemetery lot sales	1,500	1,500	3,850	2,350
Charges for services:				0
Grave openings	1,000	1,000	1,675	675
Fire runs	3,000	3,000	4,527	1,527
Interest earned	6,000	6,000	10,761	4,761
Refunds and rebates	0	0	127	127
Miscellaneous	200	200	3,875	3,675
Total revenues	<u>146,350</u>	<u>146,350</u>	<u>190,735</u>	<u>44,385</u>
EXPENDITURES				
General government:				
Township board	36,300	46,547	42,567	3,980
Supervisor	11,390	11,290	11,077	213
Elections	4,300	3,429	3,262	167
Assessor	17,340	18,994	18,518	476
Clerk	13,140	13,279	12,820	459
Board of review	725	755	498	257
Treasurer	18,840	19,490	17,993	1,497
Building and grounds	9,160	12,341	10,568	1,773
Cemetery	9,750	9,780	8,272	1,508
Capital outlay	1,600	1,600	987	613
Total general government	<u>122,545</u>	<u>137,505</u>	<u>126,562</u>	<u>10,943</u>
Public safety:				
Fire protection	20,000	20,000	16,023	3,977
Planning and zoning	7,300	7,400	6,683	717
Enforcement officer	4,000	4,000	2,025	1,975
Total public safety	<u>31,300</u>	<u>31,400</u>	<u>24,731</u>	<u>6,669</u>
Highways and streets	<u>4,700</u>	<u>4,700</u>	<u>3,893</u>	<u>807</u>
Total expenditures	<u>158,545</u>	<u>173,605</u>	<u>155,186</u>	<u>18,419</u>
OPERATING TRANSFERS IN (OUT)	<u>(85,000)</u>	<u>(120,975)</u>	<u>(79,783)</u>	<u>41,192</u>
Excess (Deficiency) of revenues over (under) expenditures	(97,195)	(148,230)	(44,234)	103,996
Fund balance - beginning	<u>447,538</u>	<u>447,538</u>	<u>447,538</u>	<u>0</u>
Fund balance - ending	<u>\$350,343</u>	<u>\$299,308</u>	<u>\$403,304</u>	<u>\$103,996</u>

See accompanying notes to financial statements.

Mottville Township
Statement of Revenues, Expenditures, and Changes in Fund Balance –
Original Budget, Final Budget, and Actual – Township Improvement Fund
For the Year Ended June 30, 2005

	Budgeted Amounts:		Actual Amounts Budgetary Basis	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Interest income	\$0	\$0	\$383	\$383
Miscellaneous income			40,910	40,910
Total revenues	<u>0</u>	<u>0</u>	<u>41,293</u>	<u>41,293</u>
EXPENDITURES				
Capital outlay	80,000	120,975	120,693	282
Total expenditures	<u>80,000</u>	<u>120,975</u>	<u>120,693</u>	<u>282</u>
OPERATING TRANSFERS IN (OUT)	<u>80,000</u>	<u>120,975</u>	<u>79,783</u>	<u>(41,192)</u>
Excess (Deficiency) of revenues over (under) expenditures	0	0	383	383
Fund Balance - beginning	<u>11,364</u>	<u>11,364</u>	<u>11,364</u>	<u>0</u>
Fund Balance - ending	<u><u>\$11,364</u></u>	<u><u>\$11,364</u></u>	<u><u>\$11,747</u></u>	<u><u>\$383</u></u>

See accompanying notes to financial statements.

Mottville Township
Detailed Statement of Expenditures – General Fund
For the Year Ended June 30, 2005

GENERAL GOVERNMENT

Township board:

Salary - Trustees	\$3,750
Payroll taxes	5,266
Legal fees	11,713
Audit fees	3,505
Community promotion	2,348
Insurance and bonds	10,243
Supplies	544
Miscellaneous	2,634
Printing and publishing	371
Mileage	140
Capital outlay	<u>2,053</u>

Total Township Board	42,567
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Supervisor:

Salary	11,040
Office supplies	37
Mileage	<u>0</u>

Total Supervisor	11,077
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Elections:

Fees	2,097
Supplies	801
Printing and publishing	112
Mileage	<u>252</u>

Total Elections	3,262
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Assessor:

Wages	14,040
Wages - land division administrator	1,200
Office supplies	1,107
Assessment roll preparation	2,047
Legal	124
Mileage	<u>0</u>

Total Assessor	18,518
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Clerk:

Salary	11,040
Salary - deputy clerk	540
Supplies	965
Mileage	275
Education and training	<u>0</u>

Total Clerk	12,820
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See accompanying notes to financial statements.

Mottville Township
Detailed Statement of Expenditures – General Fund – Continued
For the Year Ended June 30, 2005

Board of Review:	
Fees	275
Supplies	0
Printing and publishing	178
Miscellaneous	45
	<hr/>
Total Board of Review	498
Treasurer:	
Salary	11,040
Salary - deputy treasurer	1,980
Office supplies	1,365
Tax roll preparation	2,851
Mileage	757
Miscellaneous	0
	<hr/>
Total Treasurer	17,993
Building and Grounds:	
Operating supplies	375
Telephone	879
Electricity	1,551
Heat	4,430
Building maintenance	831
Equipment	987
Contractual services	1,270
Equipment lease	1,232
	<hr/>
Total Building and Grounds	11,555
Cemetery:	
Grave openings	1,600
Salary - employees	3,459
Operating supplies	323
Electricity	128
Repairs and maintenance	617
Mowing and plowing	2,145
Capital outlay	0
	<hr/>
Total Cemetery	8,272
	<hr/>
Total General Government	126,562

See accompanying notes to financial statements.

Mottville Township
Detailed Statement of Expenditures – General Fund – Continued
For the Year Ended June 30, 2005

PUBLIC SAFETY

Fire Protection:

Contractual services	16,023
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Planning and Zoning:

Salary	6,480
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Office supplies	0
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Professional services	0
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Printing and publishing	203
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Mileage	0
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Land use ordinance	0
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Total Planning and Zoning	6,683
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Enforcement Officer:

Salary	1,544
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Supplies	17
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Mileage	464
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Miscellaneous	0
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Total Enforcement Officer	2,025
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Total Public Safety	24,731
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HIGHWAYS AND STREETS

Contractual services	915
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Streetlights	2,978
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Total Highways and Streets	3,893
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Total Expenditures	<u>\$155,186</u>
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See accompanying notes to financial statements.

Mottville Township
Current Tax Collections Fund
Statement of Cash Receipts and Disbursements
For the Year Ended June 30, 2005

Cash balance - beginning	\$17,935
Cash receipts:	
Current tax collections	1,097,041
IFT collections	117,791
Administrative fee	14,704
County dog licenses	560
Interest earned	1,507
Overpayments	2,596
Delinquent personals	925
	<hr/>
Total cash receipts	1,235,124
	<hr/>
Total cash available	1,253,059
Cash disbursements:	
To county:	
Combined levies	743,644
Dog licenses	512
To school districts:	
Constantine	71,550
White Pigeon	272,643
Mottville Township	76,634
State of Michigan - IFT	83,367
Other	2,596
	<hr/>
Total cash disbursements	1,250,946
	<hr/>
Cash balance - ending	\$2,113
	<hr/>

See accompanying notes to financial statements.

Jones' CPA Office

Shirley J. Jones, CPA

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To the Supervisor and Board
Mottville Township
St. Joseph County, Michigan

We are writing this letter in conjunction with the audit of the financial records for the Township of Mottville. We have audited the general purpose financial statements of the Township of Mottville, St. Joseph County, Michigan, as of and for the year ended June 30, 2005, and have issued our report thereon dated September 2, 2005. We conducted our audit in accordance with generally accepted auditing standards. We will forward to the State of Michigan their required copies of the report.

Again this year some difficulties were encountered in reconciling the amounts collected for property taxes with the amounts deposited and disbursed. Tax collection funds were not correctly disbursed. The net result is that Mottville Township is owed \$2,191.07. Though we were able to sort it out, better documentation and a more careful calculation and analysis before distributing the tax dollars to the other units of government is absolutely necessary.

Thank you for your cooperation during the course of the audit. Please call at any time if you have questions.

Jones' CPA Office

Shirley J Jones

Constantine, Michigan
September 2, 2005